Performance Audit
KCI Terminal Improvement Project

May 2004

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City Auditor's Office

City of Kansas City, Missouri

May 4, 2004

Honorable Mayor and Members of the City Council:

This performance audit was initiated by resolution 030063, which directed the City Auditor to audit the project management of the KCI terminal improvement project. The resolution was adopted on January 23, 2003. The audit focuses on the selection of Burns & McDonnell to provide project management services, the reasonableness of project management costs, and opportunities to improve the city's management of other construction projects.

We found no specific violation of city procedures in the selection of Burns & McDonnell to provide project management services for the KCI terminal improvement project; however, the timing of requests limited competition. Some of the participants remain convinced the process was unfair, but recollections differ, and documentation of the selection process does not resolve these disputes. Subsequent improvements have increased the size of selection committees, provided additional guidance on their activities, and allow for increased documentation of decisions.

We could not determine the reasonableness of project management costs for the terminal improvement project. Governments routinely hire outside project managers for airport and other large-scale construction projects. We found little data on fees charged for construction/project management services. A recent survey and aviation and construction experts identify project management costs of between 2 and 15 percent of total project costs. This percentage is generally smaller for larger projects. Project management costs for the terminal improvement project were 10.4 percent, the highest of five projects that we reviewed, but the lack of guidelines on project management costs, the project's complexity, and the inclusion of non-project management responsibilities prevents us from assessing whether these costs were reasonable.

Consolidating the city's construction efforts would increase effectiveness and staff expertise. It is difficult for city staff to effectively manage large construction projects and perform their normal duties. The number of construction projects for individual departments is insufficient to allow staff to develop expertise that could reduce reliance on outside contractors. Oversight committees for major construction projects would keep Councilmembers informed of project progress and ensure effective decision-making.

We recommend the Contract Guidebook Committee consider establishing guidelines for requesting information from potential contractors that will maximize competition and consider the use of closed-

end contracts to control project costs. We also recommend the City Manager develop a plan for consolidating construction efforts and require oversight committees for all major construction projects.

The draft report was sent to the City Manager and Acting Aviation Director on March 18, 2004 for review. Management's written response is included as an appendix. We appreciate the courtesy and cooperation extended to us during this project by Aviation and other city staff, contracting staff, consultants, and members of the selection committee. The audit team for this project was Sharon Kingsbury, Joyce Patton, and Gary White.

Mark Funkhouser
City Auditor

KCI Terminal Improvement Project

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Introduction

Objectives

This performance audit was initiated by resolution 030063, which directed the City Auditor to audit the project management of the KCI terminal improvement project. The resolution was adopted on January 23, 2003.

A performance audit systematically examines evidence to independently assess the performance and management of a program against objective criteria. Performance audits provide information to improve program operations and facilitate decision-making.[1] This audit was designed to answer the following questions:

- Were established procedures followed in selecting the firm providing project management services?
- Are the costs of project management services reasonable?
- Could changes in the city's management of construction projects improve performance?

Scope and Methodology

Our review of the terminal improvement project focuses on the selection of Burns & McDonnell to provide project management services, the reasonableness of project management costs, and opportunities to improve the city's management of other construction projects.

The audit was conducted in accordance with generally accepted government auditing standards. Methods included:

- Interviewing former and current members of the Aviation and Public Works departments, City Manager's Office, and City Council; other city staff; contractor staff; airline representatives; and staff in other cities.

[1] Comptroller General of the United States, *Government Auditing Standards* (Washington, DC: U.S. Government Printing Office, 2003), p. 21.

- Reviewing local and state regulations regarding contracting and vender selection requirements.

- Reviewing professional literature on construction and project management.

- Reviewing city records and contractor progress reports on the KCI terminal improvement project.

No information was omitted from this report because it was deemed privileged or confidential.

Background

The KCI Terminal Improvement Project began as a small renovation project in the late 1990's. The project included replacement of the heating and cooling systems in the three terminals with a budget of about $75 million. Since then, project additions including replacement of the flooring, windows, and jet bridges, asbestos removal, holdroom expansion, security improvements, and project requests by the airlines and other terminal tenants increased total project costs. According to the January 2004 executive committee report, total project costs are estimated at almost $250 million. (See Exhibit 1.)

Exhibit 1. Anticipated Costs for KCI Terminal Improvement Project

Project	Anticipated Costs
Original Terminal Improvements	$205,468,270
Holdroom Expansion	13,247,264
Asbestos Abatement	10,573,343
Terminal Infrastructure	8,906,066
Airline/Tenant Requests	6,955,413
Security Modifications	4,533,569
Total	$249,683,925

Source: Burns & McDonnell monthly executive committee report, January 2004.

Costs by activity. Contracts for 20 distinct activities have been awarded in connection with the terminal improvement project. In addition to providing project management, Burns & McDonnell has contracts for insurance (with Lockton) and a contract involving asbestos abatement. (See Exhibit 2.)

Exhibit 2. Terminal Improvement Project Contract Summary, Expenditures Paid Through December 2003

Vendor	Contract Services	Costs
Walton Construction	General Construction	$127,210,986
FMC Jetway	Passenger Boarding Bridges	17,627,741
Burns & McDonnell	Project management	17,084,882
HNTB	Designer	14,107,137
G & T Conveyor	Baggage Handling	9,951,904
Ferranti Air Systems	System Integrator/MUFIDS[2]	6,494,250
Harrington-Scanlon	Roof Construction	4,466,160
Gardner Construction	Pre-Construction[3]	3,631,357
ASI	Asbestos Abatement	3,210,448
Burns & McDonnell/Lockton	Insurance	3,200,908
LVI	Asbestos Abatement	2,250,694
McQueeny-Locke	Air Handling Units	1,752,422
Kaaz Construction	Temporary Walkways	1,668,871
B&R Insulation	Phase I Demolition	1,659,321
Herman Miller	Seating	1,607,997
Capital Electric	Communications Backbone	1,536,870
Burns & McDonnell	Asbestos Abatement	1,456,526
A Arnold	Tennant moves	1,000,000
Satellite Systems	Mobile Offices/Storage Units	1,000,000
Schwieger Construction	Airport Operations	476,481
Bibb & Associates	Roof Designer	250,880
Missouri Poster	Temporary Signage	180,625
Total		$221,826,460

Source: KCI Terminal Improvement Project Monthly Progress Report for December 2003, p. 4.

Completion dates. In September 2000, it was expected that Terminals A and C would be completed in January 2004 while Terminal B was to be completed five months later. Project additions extended these completion dates. The construction/renovation of Terminals A and C are now complete. Terminal B is expected to be completed in December 2004.

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[2] These are monitors for presenting flight schedules located throughout the airport terminals. MUFIDS stands for Multi-User Flight Information Display System.

[3] Construction of areas for terminal tenants to occupy in order to clear their previous spaces for demolition.

Findings and Recommendations

Summary

We found no specific violation of city procedures in the selection of Burns & McDonnell to provide project management services for the KCI terminal improvement project; however, the timing of requests limited competition. Some of the participants remain convinced the process was unfair, but recollections as to what occurred differ, and selection process documents do not resolve these disputes. Subsequent improvements have increased the size of selection committees, provided additional guidance on their activities, and allowed for increased documentation of decisions.

We could not determine the reasonableness of project management costs for the terminal improvement project. Governments routinely hire outside project managers for airport and other large-scale construction projects. While we did not find guidelines, estimates obtained from a recent survey and aviation and construction experts identify project management costs as between 2 and 15 percent of total project costs. Project management costs for the terminal improvement project were 10.4 percent, the highest of five projects we reviewed; however, the lack of guidelines on project management costs, the terminal improvement project's complexity, and the inclusion of other responsibilities prevents us from our determining the reasonableness of project management costs.

Consolidating the city's construction efforts would increase effectiveness and staff expertise. It is difficult for city staff to effectively manage major construction projects and at the same time perform their normal duties. The number of construction projects for individual departments are inadequate to develop expertise that could reduce reliance on outside contractors. Major projects should also utilize oversight committees to keep council members informed of project progress and ensure effective decision-making.

We recommend the Contract Guidebook Committee consider establishing guidelines for requesting information from potential contractors that will maximize competition and consider the use of closed-end contracts to control project costs. We also recommend the City Manager develop a plan for consolidating construction efforts and require oversight committees for all major construction projects.

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Contractor Selection Process Policies Followed, Bid Competition Limited

Procedures were followed when Burns & McDonnell was selected to provide project management services, however, the timing of requests limited competition. Some of the participants remain convinced the process was unfair, but recollections differ, and selection process documents do not resolve the differing opinions. Subsequent improvements in the selection process have increased the size of selection committees, provided additional guidance on their activities, and allowed for increased documentation of decisions.

Selection Process Policies Were Followed, But Timing of Requests Limited Competition

Selection requirements detailed in the city code and administrative regulations were followed; however, short deadlines for information requests limited competition to the three firms able to respond by the deadline.

Policies for selection committees were followed. Policies governing the selection process used when Burns & McDonnell was awarded the project management contract in early 1999 were limited. According to city code,[4] an engineering selection committee was responsible for contracts exceeding $100,000 for design and construction contracts. The code stated that the committee shall include the director of the contracting city department, the City Manager or a representative, and the chair of the City Council committee involved in the project. Aviation records indicate that, as the code required, the selection committee for this contract consisted of the Aviation Director, an Assistant City Manager, and the Chair of the City Council's Aviation Committee.

The code allowed the committee members to adopt their own standards and rules of procedure to be used when selecting contractors. Administrative Regulation (AR) 3-7 provides guidelines for smaller engineering service contracts (those less than $100,000), but defers to the code for larger contracts that require an engineering selection committee. However, AR 3-7 states that the engineering selection committee's process must be at least as stringent as those detailed in the AR, namely:

- the selection committee meets;
- evaluates the firms listed in a pre-qualification file;
- prepares a request for proposal (RFP);

[4] Section A5.128, Kansas City Code of Ordinances.

- reviews submitted proposals;
- interviews the firms submitting proposals, if necessary, and
- recommends a firm to the department director for approval.[5]

Interviews with the committee members and others involved in the selection process provided descriptions of the selection committee meetings held. In addition, the following documents found in the selection file indicate the selection committee followed policies: advertisements of the request for qualifications, congratulatory letters to contractors selected for further consideration, and rejection letters to contractors not selected. The file also included letters to three firms setting up interviews, a letter congratulating Burns & McDonnell for being selected, and letters to the other two firms interviewed saying they were not selected.

Timing of requests for qualifications limited competition. The selection file indicated that on December 23, 1998, nine firms were asked to respond to a request for qualifications (RFQ) for the project, and specifically provide:

- Experience and responsibility summaries
- Key team member's personal experience
- Project team responsibilities including approximate percent of projects for which each firm will be responsible (and noting MBE/WBE members)
- Project approach
- Quality assurance plan

The letters indicated a factor in the review process would be the firm's ability to address the above items in an effective, efficient manner. Responses were due by 5:00 p.m., January 5, 1999. This ultimately meant that firms were to reply to the RFQ in less than two weeks in a period that included two holidays.

Nothing was found in the file indicating why such a tight deadline was necessary. The file does indicate that this was the second time the city sought RFQs for the contract. The first RFQ was issued in March 1998, and subsequently cancelled to allow the RFQ to be posted on the internet.

Only three of the nine firms responded to the RFQ by the deadline. The selection file included letters from two firms, stating that although they were interested in working on the project, the firms would be unable to prepare a quality presentation within the timeframe. A written notation

[5] Administrative Regulation 3-7, effective April 1, 1997.

indicates a third firm also declined, and three other firms did not respond at all. Competition for the contract was consequently reduced to only three firms.

Concerns Regarding Selection Bias Remain

Some of those involved in the project management selection process and outsiders remain convinced the process was unfair, but information found in the selection file cannot resolve these claims. Subsequent improvements to the city's selection process have been achieved but additional improvements are needed.

Participants and others claim the selection process was biased. In 1998, when the city sought quotations for project management services, one area contractor reported his firm declined to submit a proposal because Burns & McDonnell was "politically favored to win." Aviation Department staff still describe the selection process as "questionable." Several staff stated that one of the selection committee members stated a preference for Burns & McDonnell although the member had not seen all the candidate presentations. A member of the City Manager's Office suggested that if the city had done a better job with the selection process, the city would not have had to consider a subsequent contract to review the work of Burns & McDonnell.

Participant recollections differ. Some participants recall two votes and that Burns & McDonnell was selected only on the second vote. Others recall only one vote, taken after the committee members postponed making a decision, which resulted in a committee member receiving a call from the City Manager saying that postponing the decision was a mistake. The two committee members who saw all three presentations reportedly met and voted, declaring Burns & McDonnell the winner. One of the voting committee members stated Burns & McDonnell won largely because they had successfully worked with the city on previous projects.

Documentation of the selection process does not resolve the differing opinions. When Burns and McDonnell was selected, administrative regulations allowed the selection committee to decide for themselves how to select the contractor. Nothing in the selection file describes how or why the committee members decided to recommend Burns & McDonnell. Participants and committee members report completing individual score sheets assessing the candidate's qualifications. The score sheets were not retained in the selection file and participants report that score sheets were not, as a rule, retained. The Acting Director of Aviation confirms score sheets were provided to committee members for their own use and were not collected for retention in the selection file.

Without documentation of the committee member's decisions, we are left with differing individual recollections of events that cannot be resolved.

Subsequent policy changes should improve the city's selection efforts. In July 2001, the administrative code was revised expanding the engineering selection committee from three members to five. The committee now includes two members selected by the City Manager, the department director or representative, the City Council committee chair, and the division head responsible for the project.

Since 1999, the city has developed a contract guidebook that assists contractor selection efforts. The guidebook includes sample forms for seeking contractors and requesting qualifications, criteria for evaluating contractors, a form documenting the approval of the selected firm, and a checklist for documenting the selection process. While these materials improve the documentation of contractor selection efforts, the city also needs to ensure the selection process is competitive. We recommend the contract guidebook committee consider establishing minimum timeframes for submitting responses to requests for proposals and requests for qualifications to maximize the number of contractors that could be considered. Changes to the guidebook should include mechanisms for emergency situations.

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Reasonableness of Project Management Costs Unclear

We could not determine the reasonableness of project management costs for the terminal improvement project. Governments routinely hire outside project managers for airport and other large-scale construction projects. We could not find guidelines for the appropriate percentage of project management costs as a percentage of total costs, but we obtained estimates from a recent survey and aviation and construction experts. They identify project management costs as between 2 and 15 percent of total project costs. Project management costs for the terminal improvement project were 10.4 percent, the highest of five projects we reviewed; however, the lack of guidelines on project management costs, the project's complexity, and the inclusion of other responsibilities prevents our determining the reasonableness of project management costs.

Contractors Routinely Provide Project Management Services but Assessing Reasonable Costs Is Difficult

Governments routinely hire outside project managers for major airport and other large-scale construction projects, but opinions on acceptable project management costs vary and guidelines are unavailable. A recent

survey and aviation and construction experts estimate these costs should represent between 2 and 15 percent of total project costs.

Other projects used outside project managers. The city used contractors to provide contract management for the Bartle Hall expansion in the early 1990s and the Municipal/Kemper Arena renovations in the late 1990s. Contractors also provided project management for the Milwaukee Airport garage project and the Austin-Bergstrom International Airport. Aviation staff in Milwaukee say they routinely hire professional construction managers for large construction projects.

Opinions on acceptable project management costs vary. We could not find guidelines for assessing the costs of project management services. Instead, we found one survey and opinions suggesting these costs should represent between 2 and 15 percent of total project costs. A 2000 survey by the Construction Management Association of America (CMAA) identified construction management fees of 7.9 percent as the median for state and local governments.[6] The CMAA reports that in contrast to the engineering industry, the construction management industry is relatively new, and there is little data available to describe the fees charged for providing construction/project management services.

In 2001, Chicago aviation staff identified a range for construction management fees of between 2 and 14 percent, based on information obtained from five construction companies. Aviation staff in Milwaukee estimate project management costs of 10 and 15 percent for smaller projects and state that as the jobs get bigger, the percentage should go down. A local government construction expert estimates project management costs should not exceed 7 percent for the KCI project. He also agrees that the percentage of construction management costs should decrease as the size of a project increases.

Reasonableness of Project Management Costs Unclear

Project management costs for the terminal improvement project were within the range identified from one survey and aviation and construction experts. They were also the highest of five projects we reviewed. However, the project's complexity and the inclusion of other responsibilities prevents our determining the reasonableness of project management costs. Closed end contracts could better control costs.

Project management costs for KCI were the highest of those reviewed. We compared project management costs as a percentage of

[6] *CMAA Construction Management Costs Survey*, October 2000, p. 19.

total project costs for the KCI Terminal Improvement Project, the Bartle Hall expansion, the Municipal/Kemper renovations, the Austin Airport, and an airport-parking garage in Milwaukee. Project management costs were within the 2 to 15 percent range identified from expert opinions and the 2000 survey. The percentage spent for project management for the KCI project was the highest of the five projects reviewed. (See Exhibit 3.)

Exhibit 3. Project Management Costs as a Percentage of Total Project Costs

Project	Project Management Costs	Total Project Costs	Percentage
Bartle Hall expansion	$ 3,610,354	$144,034,514	2.51%
Milwaukee Airport Garage	5,300,000	81,300,000	6.52%
Austin Airport	42,700,000	585,100,000	7.30%
Municipal/Kemper	1,990,642	27,116,607	7.34%
KCI TIP[7]	25,900,000	249,683,925	10.37%

Sources: Public Works and Aviation Department staff.

Project complexity and scope of work makes comparisons difficult. Many of those interviewed described the KCI Terminal Improvement Project as complex because of its size and the fact that the construction work was taking place in an operating environment. The airport never closed due to construction. One contractor said this complexity required "sophisticated, subtle phasing," which makes it difficult to identify comparable projects. He also cited the fact that the changing requirements of the airlines and their different operational needs all affected the physical layout of the airport and construction process.

We did not attempt to identify the scope of project management services provided by the contractors for the five projects we compared. Chicago aviation staff said it all depends on how you define the terms "construction management," "field supervision," and "program manager." All of these terms can work interchangeably and mean similar things. It also depends on what the organization is asking the contractor/consultant to do.

Project management costs included other responsibilities. The Burns & McDonnell contract for KCI has been amended six times, increasing the firm's project responsibilities and scope of work on the project. Aviation staff reported this was to be expected, as the city hired a program manager for the terminal improvement project, then decided what the program manager should do. Aviation staff also report that in some cases, activities that would not normally be included in a project management contract were included in this one to expedite the process.

[7] Estimated, based on the reported current contracted payments to Burns & McDonnell and their January 2004 estimate of total project costs.

Aviation staff report additional responsibilities include oversight over insurance, art, and concession programs, public communications, and some design services. They estimate these responsibilities added $7.7 million to program management costs. Chicago aviation staff added that engineering and architectural consultants are always ready to do anything asked, and expand the scope of their work. That's why project oversight by city staff is important. Without a budget limit, contractors have no real incentive to control costs, increasing the city's risk of overages.

Closed-end contracts could control costs. Aviation staff in Chicago recently issued an RFQ for program management services for their $6.6 billion O'Hare Modernization Program. The contract terms will be five years with one-year contract extensions at the city's discretion. Once a contractor is selected, the city and the contractor will negotiate and establish a binding budget. Aviation officials in Chicago have established that their goal is to limit construction management costs to no more than 10 percent of total construction costs.

We recommend the Contract Guidebook Committee consider the use of closed-end contracts for construction projects.

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Consolidate Construction and Utilize Oversight Committee to Improve Construction Efforts

Consolidating the city's construction efforts would increase effectiveness and staff expertise. It is difficult for city staff to effectively manage major construction projects and at the same time perform their normal duties. The number of construction projects for individual departments is inadequate to develop expertise that could reduce reliance on outside contractors. Major projects should also utilize oversight committees to keep Council members informed of project progress and ensure effective decision-making.

Consolidate Construction Efforts

It is difficult for city staff to effectively manage major construction projects and at the same time perform their normal duties, in part because the number of construction projects completed by individual departments is insufficient to develop needed expertise that could reduce reliance on outside contractors. Although the City Manager has begun consolidating capital improvement efforts, he should consolidate management of all of the city's major construction.

Aviation staff needed assistance managing the terminal improvement project. Aviation staff reported that when the terminal improvement project was small, they planned to manage the project in-house. However, as the project grew, they realized that they did not have adequate staff to complete it without assistance. One of the current members of the Aviation Committee agreed, stating he would not expect Aviation staff to oversee the terminal improvement project and maintain their day-to-day job activities.

Construction workload insufficient for individual departments to develop expertise. Construction projects managed by staff in individual departments do not allow the city to effectively benefit from the lessons learned, because the experiences are spread out among several departments. Aviation staff report the decision to seek an outside consultant to provide project management services was to avoid hiring additional department staff for the terminal improvement project, then letting them go when the project was completed.

A consultant familiar with the terminal improvement project points out that aside from security issues, the aviation terminals are no different from any other city building. Based also on his experiences with Water Services and Convention and Entertainment facilities, the consultant recommends that a single department routinely handle all construction.

Prior report recommended consolidating construction efforts. In 1995, we recommended consolidating construction activities in the Parks and Recreation and Public Works departments.[8] The report included a survey of construction efforts in comparable cities and found that 11 of 15 cities consolidated their construction efforts in a single department. We also suggested creating a department of engineering services, noting that there were engineering and allied positions in 13 city departments, representing 429 positions.

One obstacle noted in the report was separating the funding sources for these positions. Also, according to the city attorney, the City Charter specifically provides for a division of engineering as part of the Public Works Department. Separating the engineering division from the Public Works Department would require a Charter amendment.

Consolidation of capital improvement efforts has begun. In January 2004, the City Manager announced the formation of the Capital Improvement Management office, responsible for citywide capital project management. According to the City Manager's staff, one of the

[8] *Consolidation of Selected Activities, Parks and Recreation and Public Works Departments,* Office of the City Auditor, City of Kansas City, Missouri, July 1995.

responsibilities of the office will be the completion of 71 projects costing $240 million, through the combined efforts of staff from multiple city departments. In addition, the office will examine city processes, identifying obstacles to completing projects and seeking ways to quickly resolve them and expedite construction efforts. We recommend the City Manager establish a plan to consolidate responsibility for all major construction projects to a single organizational unit. The developed plan, and any required legislation such as a charter change, should be presented to the City Council for deliberation.

Major Projects Should Use Oversight Committees

During the Bartle and Kemper construction efforts, the city established oversight committees to keep the Council informed of the projects' progress. City staff and consultants report that the use of oversight committees contributes to project success. Oversight concerns prompted the Council to request this audit. Late in the process on the terminal improvement project, an oversight committee was authorized, however, it never formed.

Oversight committees were effective in past projects. Oversight committees were used to monitor both the Bartle expansion and the Municipal/Kemper renovations. The oversight committees included city staff and Councilmembers. Oversight committees can keep the rest of the City Council informed, resulting in fewer surprises if additional funds are needed. Consultants and city staff generally agree that oversight committees are effective.

Project concerns prompted creation of an oversight committee and this audit. The former Aviation Director reported he had problems with both contractors hired for general construction and project management services for the terminal improvement project. Consequently, he proposed hiring a consultant to review project costs, sort out issues, and build skill among the Aviation staff. During the January 16, 2003 Aviation Committee meeting at which this contract was introduced, resolutions for the creation of an oversight committee and for an audit of the project were introduced. According to the Councilmember introducing both resolutions, they were in response to the Aviation Director's request to hire the consultant.

Oversight committee never formed. The oversight committee, as described in the resolution, would have included all members of the Aviation Committee, the Mayor, both second district Councilmembers, the Finance Committee Chair, City Manager, Chairman of the Chamber of Commerce Aviation Committee, and a citizen familiar with business, construction or aviation matters. The resolution, adopted on January 23,

2003, was late in the project's cycle; the terminal improvement project had been underway for several years. Despite the Council's adoption of the resolution establishing it, the oversight committee was never formed.

Oversight committees for major projects recommended in the past. Analysis of documents and testimony before the committee investigating problems surrounding the city's acquisition of its public safety radio system found that staff did not routinely communicate with the City Council on the project.[9] Only 39 of 3,726 documents reviewed were communicated to some or all Councilmembers. Communications increased significantly after the city realized the radio system did not perform as expected. The report notes that projects that require considerable city investment have benefited from Council oversight and recommended establishing Council oversight committees for major city projects.

We recommend the City Manager ensure that oversight committees are established for all major construction projects.

Recommendations

1. The City Manager should direct the Contract Guidebook Committee to establish minimum timeframes for responses to requests for proposals and requests for qualifications.

2. The City Manager should direct the Contract Guidebook Committee to consider the use of closed-end contracts to control project costs.

3. The City Manager should develop a plan for consolidating responsibility for all major construction projects to a single organizational unit. The developed plan and any required legislation should be presented to the Mayor and City Council for deliberation.

4. The City Manager should ensure oversight committees are established for major construction projects.

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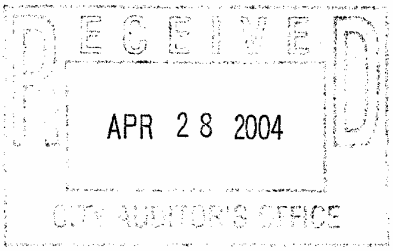
[9] *Report of the Public Safety Radio System Investigating Committee*, September 1998.

Appendix A

City Manager's Response

Office of the City Manager



Date: April 27, 2004

To: Mark Funkhouser
City Auditor

From: Wayne A. Cauthen W.A.C
City Manager

Subject: KCI Terminal Improvement Project Audit

Regarding your recommendations listed in the KCI Terminal Improvement Project Audit:

The City Manager should direct the Contract Guidebook Committee to establish minimum timeframes for responses to requests for proposals and requests for qualifications.

I have directed the Contract Oversight Committee to establish minimum time frames for RFPs and RFQs.

The City Manager should direct the Contract Guidebook Committee to consider the use of closed-end contracts to control project costs.

I have directed the Contract Guidebook Committee to review the use of closed-end contracts to control project costs.

The City Manager should develop a plan for consolidating responsibility for all major contruction projects to a single organizational unit. The developed plan and any required legislation should be presented to the Mayor and City Council for deliberation.

I have established a city-wide team to recommend consolidation opportunities for construction project management. I will report to the Mayor and Council my final decision by year end.

The City Manager should ensure oversight committees are established for major construction projects.

With the establishment of the Capital Improvement Management Office, oversight of large-scale capital improvement projects will improve. I agree that there is a benefit in establishing oversight committees for major construction projects.

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